

# INDUSTRY UPDATE

Biweekly Period Ending January 13, 2001

## Phoenix Metro Area

### *Manufacturing*

The Valley's two largest high-tech employers are tightening their belts, as a slowdown in the U.S. economy has begun to pinch earnings. **Honeywell International Inc.** said it is **cutting 225 positions** from a workforce of 16,500 from **three Phoenix-based units**: Engines & Systems, Avionics, and Services Businesses. The cuts are not related, however, to a pending merger with General Electric, a Honeywell official said. At the same time, **Motorola Corp.** said poor sales in its cellular phone unit will cause the Schaumburg, Ill.-based company to **cut back on contract employees in the Valley**, as well as **limit hiring** in its **Semiconductor Products division**, which employs 7,700 in the Phoenix area. Motorola recently announced poor fourth-quarter 2000 results and low expectations for the first half of this year.

Due to weak sales in its less expensive line of mass-produced bikes, Phoenix-based **Titan Motorcycle Co. of America** has **filed for Chapter 11 bankruptcy protection** from its creditors. Titan, which is known for its high-end custom-made motorcycles that cost between \$35,000 and \$40,000, still plans to remain in operation while it restructures its debt. No information was available about potential layoffs.

### *Mining*

The **Camelback Esplanade**, 24<sup>th</sup> Street and Camelback Road, will become the **corporate home to Asarco Inc.**, the world's third-largest copper-mining company. About **100 employees** are expected to make the **move from New York to Phoenix** in April, with **some additional positions filled locally**. A subsidiary of

Grupo Mexico, a behemoth mining and railroad concern in Mexico City, Asarco had announced its intentions to move to the Southwest several months ago. Phoenix is now home to two of the three largest copper producers, including No. 2 Phelps Dodge Corp.

### *Construction*

**Work** is expected to **begin this summer** on **several master-planned communities** in the **west Valley** that have the **potential** to include **more than 160,000 homes** over the next three decades. **Hancock Communities** will begin work in June on a **2,000-acre community** near Interstate 10 and Airport and Miller roads that will contain **nearly 7,000 housing units**. Hancock will develop about one-third of the acreage and sell off the rest to other developers. In addition, **DMB Associates** will start work on the infrastructure for an **8,800-acre development** between I-10 and the White Tank Mountains that is expected to be home to **more than 14,000 houses and apartments**. Finally, in late December, the city of Phoenix approved zoning for a **500-acre development** near the **southwest corner of Southern Avenue and 67<sup>th</sup> Avenue** in the unincorporated community of Laveen. Although there are concerns about potential flooding and a nearby munitions factory, the land's owner, Sunny Mesa, expects to develop **1,500 single-family homes** on the property.

Developer Corky Houchard plans to bring a late-19<sup>th</sup> Century, East Coast look — and price — to downtown Tempe when his company, **Brownstone Residential**, begins work on the first of **two major projects** in the fourth quarter of 2001. Houchard plans first to build a \$100 million, multi-use five-acre development called **CenterPoint Residential**,

which will include **612 high-priced condominiums**, as well as **space for offices and restaurants**. The project, near Fifth Street and Maple Avenue, will feature several multi-story brick buildings (including a 13-story tower) and living units ranging in size from 600 to 3,500 square feet and priced as high as \$1 million. Also planned a few blocks away, near Sixth and Wilson streets, is a **63-unit neighborhood** called **Hyde Park**, which will feature **three-story Brownstone houses** with front porches and elevated entries. Pending approval by the Tempe City Council in January, Hyde Park is expected to be **completed in September 2002**.

### **Trade**

The nation's largest office-supply chain, **Office Depot**, is **pulling out of the Phoenix market**, as part of a plan to leave under-performing cities. **Nine Phoenix-area stores** will **close** by the end of March, with about **150 employees losing their jobs**. **Sears**, on the other hand, is **closing one of its five Valley stores**, but it will be back up to a half-dozen by the end of 2001 when a new location opens at the 1.3 million-square-foot Chandler Fashion Center. Sears' two-year-old store at **Scottsdale Fashion Center**, which had moved from Los Arcos Mall, will close because of poor sales, forcing **500 employees to look for other jobs**. Its location among high-priced stores (Neiman Marcus, Nordstrom) may have hurt its ability to attract customers. Also downsizing is local company **Tip Top Nurseries**, which is **closing three** of its nine **Valley stores, affecting 40 employees**. Low traffic and out-of-date buildings were given as reasons for the closures.

**MicroAge Technology Services**, the largest division of Tempe-based MicroAge Inc., will **keep about two-thirds of its 1,100 employees** after it's **purchased by Dallas-based CompuCom Systems Inc.** in mid-January. It was previously reported (see Dec. 2, 2000, *Industry Update*) that Columbus, Ohio-based Sarcom was going to buy the division, which installs and maintains computers for businesses. It's **likely some** of

the division's **300-plus Valley employees will lose their jobs**, an official said. Reorganizing under Chapter 11 bankruptcy protection, MicroAge has also sold off its technical-support call-center operation to a subsidiary of United Parcel Service.

### **Transportation, Communications, and Public Utilities**

After five months on the air, **Hispanic Television Network** (HTVN) of Fort Worth, Texas, **closed its Phoenix television station** in mid-December, **laying off about 10 employees**. It's speculated that HTVN, which primarily targets people of Mexican descent, expanded too quickly when it developed a network of 25 affiliates. The company plans to focus on its largest markets, San Antonio and Los Angeles. Univision and Telemundo are the two largest Hispanic networks.

Phoenix-based **Aerial Telecom** and **Clear Sky Broadband** of Kennewick, Wash., will be part of a half-dozen **high-speed wireless services** in the Valley when they **begin operation later this year**. **Clear Sky**, which is **moving its headquarters and call center to Scottsdale in mid-2001**, expects to **hire about 40 people** by the end of the year. **Aerial Telecom** plans to **start** its service **in May**, **adding about 50 employees** by September.

### **Services**

While certain sectors of the state's health-care field are struggling (nursing homes, hospitals) due partly to cutbacks in Medicare and insurance fees, other areas are booming (medical office buildings, specialty care and outpatient services). After hinting of problems late last year (see Dec. 16, 2000, *Industry Update*), **Phoenix St. Joseph's Hospital and Medical Center** announced the **elimination of 100 non-nursing positions** in early January. Affected employees, 25 percent of which are managers, will receive severance packages. St. Joseph's, which is also **closing its home-health business** at the **end of January**, is one of a number of Valley and Arizona hospitals flowing red ink because of smaller

occupancy rates and shorter stays. But the demand for medical office space and specialty facilities seems unending. **More than 1 million square feet of office space** was **constructed in 2000**, and **more than 40 medical office projects** — many in the west Valley communities of Avondale, Buckeye, and Goodyear — are under way or in the planning stages this year. In addition, Tucson-based **Arizona Cancer Center** is **building a branch hospital and research facility** on the **campus of Scottsdale Healthcare Shea** in north Scottsdale. The 69,000-square-foot hospital, which will offer radiation therapy, chemotherapy, and bone-marrow transplant services, is expected to open in November 2001. A 32,000-square-foot research building will include laboratories, and doctor, scientist, and administrative offices.

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### **Tucson Metro Area**

#### ***Trade***

Work will begin in February on a \$2 million **Spanish territorial-style plaza in Tubac** — about 50 miles south of Tucson on Interstate 19 — that will feature **art studios and galleries, shops, and a restaurant**. The 16,000-square-foot development, called **La Entrada de Tubac**, is expected to open its doors in November. The historic village of Tubac, which is now an arts colony similar to Tlaquepaque near Sedona, has about 90 businesses and draws up to 2,000 people a day during the tourist season (January through April).

#### ***Services***

The financial collapse of the company from which it leases its building forced **Carrington Care Center** to **close its nursing home facility** and **lay off 115 employees**. When Flower Square Limited Partners, which leased the building at 2502 N. Dodge Blvd. to Carrington, failed to meet its mortgage payments, Carrington was forced to close and was unable to make arrangements to move to another building.

Tucson-based **Running Start Inc.**, an

Internet design and technical support company, **came to a dead halt** in early January when it was unable to collect payment from some of its accounts. About **60 employees lost their jobs**. The five-year-old company had laid off 30 other workers in October.

If you're good with your hands, then there may be a job for you at the new **Elizabeth Arden Spa at The Western la Paloma resort** in Tucson. The 9,300-square-foot facility, which **employs more than 50 people**, offers 16 facial and massage rooms, a hair salon, steam and sauna rooms, a juice bar, and boutique. The spa, which opened in early January, is still hiring workers.

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### **Statewide**

#### ***Trade***

**Fleming Cos.**, a Texas-based food wholesaler and grocery store owner, has **sold 11 of the 57 ABCO supermarkets** it owns in Arizona **to Safeway**. **Seven** of the stores are **in Tucson** and **four** are in **Phoenix**. For more than a year, Fleming has been trying to sell the ABCO chain, which has been unable to compete against chains that have been building larger, modern stores.

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## **INDUSTRY UPDATE**

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